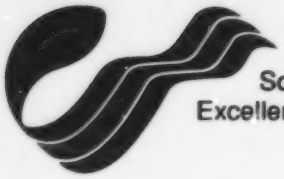

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A Review of Federal Assistance to the Fishing Industry Since 1945

Economic and Commercial Analysis
Report No. 71

Fisheries and Oceans | Pêches et Océans

Canada

A Review of Federal Assistance to the Fishing Industry Since 1945

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ABSTRACT

This paper traces the history since 1945 of federal government assistance programs for the fishing industry.

The introduction provides background on the cyclical nature of the industry and its social and economic importance. This is followed by a chronology of significant circumstances facing the industry on both the Atlantic and Pacific coasts. Programs implemented since 1945 are catalogued under the headings: Assistance for Marketing, Assistance to Fishermen and Assistance for Facilities.

Section III covers the specific period since 1977-1983 following the extension of Canadian fishing jurisdiction to 200 miles in 1977. It describes Government task force recommendations related to assistance, the subsequent restructuring of fishing companies and fisheries development assistance. Section IV deals with the period since 1984.

The paper concludes with the observation that assistance objectives have changed over time and have not always been in harmony with fisheries management objectives. A final epilogue describes the situation in the fisheries at the time of writing this paper.

RÉSUMÉ

Le présent document retrace l'histoire des programmes fédéraux d'aide à l'industrie de la pêche, depuis 1945.

Dans l'introduction, nous avons regroupé les renseignements de base sur la nature cyclique de l'industrie et son importance sociale et économique. Suit une chronologie des événements importants dans l'industrie, sur les côtes de l'Atlantique et du Pacifique. Les programmes mis en oeuvre depuis 1945 sont regroupés sous les rubriques suivantes : aide à la commercialisation, aide aux pêcheurs et aide pour les installations.

La section III porte sur la période de 1977 à 1983, après l'extension de la compétence canadienne en matière de pêche à 200 milles, en 1977. On y décrit les recommandations du groupe de travail du gouvernement concernant l'aide financière, la restructuration subséquente des entreprises de pêche et l'aide à l'expansion des pêches. Quant à la section yIV, elle porte sur la période en cours, depuis 1984.

En conclusion, il appert que les objectifs d'aide ont changé avec le temps, mais n'ont pas toujours tenu compte des objectifs de gestion des pêches. Enfin, l'épilogue décrit la situation des pêches au moment de la rédaction du présent rapport.

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I. INTRODUCTION

Canada's fishing industry seems always to have been either in crisis or between crises. Indeed, crises in the fisheries have existed as long as the fisheries. Economic conditions in the industry fluctuate with market conditions, costs of production, structural factors as well as fish catches. Cycles are the industry's fortune, perhaps misfortune. They vary in duration and have many origins. With respect to groundfish (dominated by the frozen export market in the United States) observers have noted an approximate seven-year cycle caused by many factors. Because of the importance of the groundfish fishery in Atlantic Canada, these downturns have often extended throughout the fishing industry and sometimes beyond.

Cycles imply fluctuations in individual incomes, and this has provided one rationale for government intervention. Assistance programs have often also been rationalized in terms of stabilizing incomes or industrial development or regional development. For this reason, some have claimed that fisheries policy is regional development policy in Atlantic Canada (but not on the Pacific Coast).

Fisheries are important to Atlantic Canada because few alternative employment opportunities exist. In the Atlantic region, 75 per cent of all communities have a fishing base and about 20 per cent are fully dependent on fishing. Excluding centres above 10,000 in population, there is almost total dependence on fisheries throughout Atlantic Canada.

On the Pacific, the economic dependence is less pronounced but cycles are also dominant. Freshwater fisheries, largely in land-locked provinces, are important for many small isolated communities and they, too, are subject to the ubiquitous cycles.

When economic conditions are favourable, the fisheries provide good livelihoods. Canada has some of the world's most productive fishing grounds and good access to the richest food markets in the world. The central issue has not been the wealth generated from the fisheries: it is the distribution of that wealth - how and among whom. Reflecting this, assistance programs often have been used to mitigate adjustments where too many people in a fishery are competing for their share.

This paper traces the history of major government assistance programs affecting the fishing industry since 1945. The first section discusses the conditions in the industry in the post war period, and the programs that were put in place. The second section deals with the period after 1977 when fishing jurisdiction was extended to two hundred miles. The final section briefly traces developments during the period since 1984, under the current government.

Discussion is limited to federal programs for several reasons. The federal government is responsible for fisheries management and undertakes most fisheries expenditures in Canada.

Only while fish are being processed in land based plants (and before they are exported) is there explicit provincial jurisdiction.

This provincial jurisdiction has nonetheless been the basis on which direct and indirect provincial assistance has been provided, usually encouraging growth in processing (and sometimes harvesting) capacity. Provincial loan boards have provided individual fishermen with substantial financing for a variety of fishing and nonfishing purposes. Provincial grants often support new or expanded processing capacity because the processes of providing support are frequently camouflaged as part of other programs (e.g., industrial development) and it is difficult to decipher which amounts are going to the fishing sector. In any case, because of the dearth of data and their complexity, the authors decided to exclude provincial programs from the purview of this paper.

As with other parts of the Federal Government, fisheries administration has undergone many name changes since Confederation (see below) and these are used intermittently in the text.

1867 - 1884	Department of Marine and Fisheries -- Fisheries Branch
1884 - 1892	Department of Fisheries
1892 - 1914	Department of Marine and Fisheries -- Fisheries Branch
1914 - 1920	Department of Naval Services -- Fisheries Branch
1920 - 1930	Department of Marine and Fisheries -- Fisheries Branch
1930 - 1969	Department of Fisheries
1969 - 1971	Department of Fisheries and Forestry
1971 - 1976	Department of Environment -- Fisheries and Marine Service
1974 - 1975	Department of Environment (Minister of State -- Fisheries)
1976 - 1979	Department of Fisheries and the Environment -- Fisheries and Marine Service
1979 -	Department of Fisheries and Oceans (DFO)

II. THE POST WAR PERIOD

A. AN OVERVIEW

1. Atlantic

<u>The Early Days</u>

In the aftermath of the Second World War, many argued the need for Government programs to help adjustment to peacetime and to address the huge demands that would be placed on the economy. With respect to the fishing industry, the arguments for adjustment assistance were particularly cogent.

Canada's trading patterns for seafood products shifted substantially during and after the Second World War. The United States became more important and Commonwealth and European markets relatively less so. A severe dollar shortage affected some markets.

Canned fish production which had been stimulated during the war had to be sold in new markets and reduced in volume.

By 1948, food surpluses appeared in North America. The salted fish business required rehabilitation and fish oil markets were weak. The situation was such that the Minister of Fisheries in 1949 announced a program for the development of Canada's commercial fisheries designed to expand markets and to provide industrial aid.

By the early 1950's the industry had become more efficient and reduced its dependence on low income markets. Increased world demand for fish products provided the rationale to argue for greater productive capacity. Since fishing fleets were mainly pre-war vintage, new vessels were required. The Government adjusted regulations restricting the import of trawlers and fishing fleets on both coasts expanded considerably throughout the 1950's. In addition, evolution in vessel, gear and processing technology increased productivity (and capacity).

From 1947 to 1952, North American consumption of groundfish fillets doubled. This allowed for a doubling of Canadian production to 45,000 tonnes. Groundfish filleting and freezing capacity expanded substantially in the early 1950's, and exports of groundfish "blocks" to the United States in particular, increased. The increased volume meant that industry had to devote more attention to marketing. With the increase in frozen production there was a corresponding reduction in salted fish production.

By 1957, Canadian exports of fish products had adjusted to a new reasonably stable pattern. Approximately 70 per cent of annual production was being exported, with the United States accounting for about three quarters of total exports. Markets for salted fish continued to decline. Although most fresh and frozen seafood markets improved during the late 1950's, actual per capita consumption of fish remained constant. The market for fish meal was depressed due to large increases in production in South America.

The 1960's and 1970's

For Atlantic Canada, the early 1960's were characterized by strong demand for salted fish and good conditions in the fresh and frozen sector. This was the first time since the war that salted fish markets showed some strength. This strength was attributed to low supplies in Europe. Nonetheless, compared to 84 per cent in 1953, only 61 per cent of Newfoundland cod was used for salted fish in 1962. In the early 1960's "new" groundfish species such as redfish and flatfish were increasingly used for frozen fillets and blocks. Scallop and herring harvests increased substantially.

By the early 1960's, it had become apparent that one of the problems facing the Atlantic fishing industry was increased pressure on fish resources from expanded fishing fleets of other nations. Competition caused Canadian fisheries managers to argue that action was needed to protect fish resources. There was also a growing concern about issues such as productive capacity, efficiency and limited entry. A marked expansion of the fishing fleet occurred in the early 1960's. One example is the number of licensed Atlantic Coast

trawlers and draggers which increased 50 per cent from 1963 to 1967. In 1964 alone the number increased from 385 to 452 vessels.

By the mid 1960's, the Atlantic fishing industry was optimistic. Fish landings had attained record levels in 1965 and 1966. Canada ranked second only to Japan in terms of exported value of fish products. Many argued that groundfish landings could increase 100 per cent in the following decade with expansionary programs by government and industry. The industry was attracting foreign investment from Britain and other European countries, while prices for most fish products rose continuously from 1961 to 1966.

In late 1966, however, prices for frozen groundfish products in the United States began to decline. The 1967 output of frozen groundfish fillets and blocks dropped to 100,000 tonnes from the previous year's record of 112,000 tonnes. During that year, salted cod production increased by more than 20 per cent, as many fishermen in Newfoundland returned to their traditional practice of salting.

Frozen groundfish fillets and block output rose to a record high of 117,000 tonnes in 1968. Output in other major producing countries also reached high levels. To exacerbate matters, the Pope rescinded the decree which had compelled Roman Catholics to eat fish on Fridays. As a result of all of these factors, the United States market for groundfish weakened considerably. Notwithstanding other problems, many new processing facilities were constructed in the late 1960's and early 1970's, often with government assistance.

While groundfish marketing problems continued in the late 60's, most other sectors of the fishing industry remained profitable. Atlantic herring and crab fisheries continued to expand. In 1969, the Department of Fisheries and Forestry introduced major new policies including input restrictions, marketing agencies and the establishment of a 12 mile exclusive fishing zone. In the following year, fisheries closing lines were imposed to put major bodies of water (such as the Gulf of St. Lawrence and Dixon Entrance on the Pacific) exclusively under Canadian management.

There were also some administrative changes at this time. The Fisheries and Marine Service (established in 1973) assumed new responsibilities for **small craft harbours**[1] and a service was initiated to deal with international matters. Considerable attention was being focused on the preparation of Canada's position with respect to the 1974 UN Law of the Sea Conference.

Favourable market conditions resulted in high prices for the main fishery products in 1971 and 1972. Production of salted fish continued its downward trend during these years with 52,000 tonnes being put to salt in 1972 compared to 70,000 tonnes in 1970. In the early 1970's, Atlantic Coast herring landings declined from record levels in the 1960's. As landings declined more herring was used for food products instead of fishmeal. The year

---

[1]Prior to 1973, fishing harbours were the responsibility of the Department of Public Works and administrative control was with the Ministry of Transport. The 1973-74 budget was approximately $22 million.

1973 was the best year to date for the fishing industry - but this prosperity soon vanished.

By 1974, the fishing industry was experiencing declining catches, rising costs of production and sluggish market conditions. On the Atlantic Coast the drop in landings was attributed to over-exploitation of some fish resources as well as severe ice conditions and a six week strike by Newfoundland trawl fishermen. Markets wer sluggish due to poor economic conditions and competition from beef and poultry. To address the crises in the industry, a new fisheries policy was developed in 1975 together with new programs. The crises in the industry at this time as well as the Fisheries Rehabilitation Program are discussed later in this paper.

Markets for most fish products began to improve in the latter part of 1975, but resource scarcity persisted, especially for many Atlantic groundfish species. Canadian fisheries jurisdiction was extended to 200 miles in 1977, resulting in major changes in the management of Canadian fisheries. This subject is covered later in this paper.

2. Pacific

The fishing industry in B.C. has traditionally been based on salmon, the single most lucrative fishery in all of Canada. Canned salmon was the most important product throughout the early post war period and Canada still produces nearly 25 per cent of reported world canned salmon production. However, fresh and frozen salmon products have continuously gained in importance, as have herring, halibut and groundfish products.

After 1945, the B.C. fishing industry provided good economic returns to participants. Markets were strong and until 1948, when European fisheries resumed significant production, Britain purchased large quantities of both canned salmon and canned herring.

Market conditions weakened by 1949. The B.C. canning companies launched a campaign in 1950 to increase sales of canned salmon in Canada. The success of this campaign resulted in many similar initiatives in ensuing decades. When the industry was faced with excess inventories, it was usually able to market them in Canada with the aid of promotion campaigns.

During the 1950's, the West Coast fishing industry attracted many new vessels. Economic conditions varied with the size of salmon runs, prices and collective bargaining disputes. The year 1958 was significant because of a very large run of Adams River Sockeye salmon. Landings were the highest in fifty years and created great prosperity in the industry.

During the 1960's, the groundfish fishery expanded, the herring reduction fishery was terminated due to over-fishing of the herring stocks, and the Salmon Licence Control Program was implemented. Economic conditions in the industry continued to fluctuate from year to year, largely as a result of the level of salmon abundance and the continued expansion of the fleet.

In the early 1970's, the herring roe fishery was developed to meet the expanding demand for "kazunoko" in the Japanese market. Although this fishery lasts for only about one month during the spring of the year, it has added greatly to the incomes of fishermen and processors. This herring roe fishery more than compensated for the decline in halibut landings which occurred prior to and after the termination of reciprocal fishing privileges coinciding with the extension (1977) of fishing jurisdictions by Canada and the United States. There were some lean years for the industry in the mid 1970's due to depressed groundfish markets as well as low salmon production which resulted in low returns to most fishermen.

3. Types of Assistance

In the following section, we divide assistance to the industry into three categories: assistance for marketing, assistance to fishermen and assistance (largely to processors) for facilities. These divisions are simply for organizing the discussion; some overlapping is unavoidable.

B. MARKETING ASSISTANCE

1. The Fisheries Prices Support Board (FPSB)

The Fisheries Prices Support Act was passed in 1944. This Act provided machinery to counteract price decreases such as those that occurred for fish products after the First World War. Under the Act, a Board was created to advise the Minister on applications for assistance from the fishing industry. Subject to approval by the Governor-in Council, the Fisheries Prices Support Board (FPSB) was empowered to implement two types of programs:

> Deficiency payments or payments representing the difference between a prescribed price and the average market price. In prescribing prices the Act instructed the FPSB to ensure adequate and stable returns for fishermen.
>
> Inventory financing or payments to remove quantities of products temporarily from the market. Such products are sold back to original suppliers at cost, when market conditions have improved.

The FPSB at first was provided with a working fund of $25 million and staff for research, marketing and administration. This was to be complementary with resources from the Department of Fisheries and the Board was to make use of departmental services especially its economic research divisions. By March 31, 1949 the FPSB had 20 full-time employees, including nine economists.

In July, 1947, the government appointed the first five board members. At their meeting in September 1947, the Board established regional advisory committees of prominent industry members.

Almost immediately, the FPSB undertook studies of fishermen's incomes and domestic fish consumption. During the period 1951 to 1953, staff economists were transferred to the Markets and Economics Service of DFO with the proviso that the Department would carry out economic research on behalf of the FPSB.

The Chairman and Executive Director of the FPSB were given responsibility in 1954 for administering the Fishermen's Indemnity Plan (later named the Fishing Vessel Insurance Plan) and, later, for organizing the 1959 community stage program in Newfoundland (discussed on the next page).

The first full-fledged FPSB support program took place in 1948. An order-in-council authorized the board to purchase East Coast mackerel, cod and canned herring as a means of stabilizing prices. The next major support program was in 1949 for Manitoba Lakes frozen fish. Factors in recommending this program were large inventories, the decline in prices in the United States and the fact that surplus fish was threatened with spoilage unless action was taken to move it into cold storage warehouses in Winnipeg. Prescribed prices were about 80 per cent of the then going prices for frozen fish.

Between 1950 and 1953, the FPSB initiated several price support programs for salted fish. As well, a build-up in stocks of frozen whitefish in Manitoba and Saskatchewan led to price support in 1953. Deficiency payments for pickled mackerel fillets were also implemented during that year. During the following year, a buy program for herring bloaters (whole smoked herring) was put in place as was yet another program for salted fish. In 1955, a special program was instituted to pay salted fish producers a proportion of their costs for salt. This "Fisheries Salt Assistance Program" amounted to an annual cost of $500-$600,000 and was in place until the late 1960's when the Canadian Saltfish Corporation was established. There was also a price support program during 1955-56 for salted fish.

In 1954, B.C. fishermen requested assistance to destroy dogfish. This species had become abundant after the fishery for dogfish livers had been terminated in 1949.[2] The request was based on three arguments: 1) dogfish reduced incomes from normal fishing, 2) dogfish destroyed habitat and gear, and 3) dogfish were predators on food fishes. The Board did not recommend assistance, though assistance was given later in 1955 and again in 1959. The Board became responsible for the administration of the "Pacific Dogfish Destruction Program", even though the program was not established under the Act.

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[2]Dogfish have been a menace to fishermen on both coasts since commercial fishing began. Prior to the World War I the Government built three fish meal plants for dogfish on the Atlantic Coast but these proved not to be viable due to the high costs of reducing dogfish and the low price of meal. During the period from 1941 to 1948, high prices for Vitamin A obtained from dogfish livers caused heavy fishing and a reduction in populations on the Pacific Coast. The Atlantic species lacked the high Vitamin A content. In 1949, low-priced synthetic Vitamin A became available resulting in a cessation of the fishery in B.C.

In 1958, cod landings in Newfoundland declined sharply (by about 30 per cent) from the previous year. This affected inshore fishermen in particular. In assessing the request for assistance, the Board found the problem unrelated to a drop in prices and therefore did not recommend assistance. However, among its recommendations the Board suggested that community processing facilities be created to encourage greater uniformity of product and to improve quality. The Government subsequently embarked on a program to build community stages in Newfoundland communities to provide facilities for the salt fish trade. Community stages were large docks with a building for processing and storage.

In the late 1950's, programs were therefore restricted mainly to saltfish and Pacific dogfish. This situation changed somewhat during the 1960's. In 1961, assistance was approved to develop new markets for frozen turbot since the traditional pickled turbot market had been declining for some years. In the following year, a program was implemented for pickled herring, mackerel and bloaters. This program continued into 1964 -- bloaters were purchased and deficiency payments were made on pickled products. In addition, during 1964 the board was authorized to purchase frozen sauger (from the Prairies) for which there were marketing problems resulting from several cases of botulism in the United States. Staff of the Board were also called upon to administer a program of income supplementation for fishermen affected by catch failures in 1964.

In 1965, the Board implemented a buy program for salted pollock, hake, cusk and cod. Marketing problems had been caused by political disturbances in the Dominican Republic. Most of the product that was bought by the Board was sold to the External Aid Office of the Department of External Affairs for donation to the people of the Dominican Republic. Some of the salted cod products were shipped to Africa under the World Food Program.

In 1966, the government authorized the Board to stabilize the price of perch originating from the Great Lakes. This stability was thought necessary because in most years prices declined drastically during the two month fishery (in April and May). This price decline was due to the inability to freeze the catch and to pay storage for the six to eight months that was required to use the supply. Subsequently, the Board purchased perch products and resold them later in the year, recovering nearly all costs. The program was extended through 1969, during which time losses of $663,000 occurred on the purchase and resale of products. After record landed values for perch in 1968, the Board decided that future programs should not result in losses to Government.
For the first time in 1966, the government also authorized the Board to purchase fish for the World Food Program. A total of 150 tons of canned mackerel were purchased from packers in New Brunswick and Prince Edward Island. Such purchases have continued to the present time.

The program providing one-half the costs of salt to salt fish producers was abandoned in 1969 (but subsequently continued by the Canadian Saltfish Corporation). Due to continuing weaknesses in frozen groundfish markets, deficiency payments (of $4.2 million to processors) were implemented in May 1968 to maintain returns from cod, flounder and redfish. Processors were required to maintain prices to fishermen at or above the levels which prevailed during the previous year. The FPSB also purchased 13.1 million pounds of dried salt fish during the year, half of which was supplied directly to African countries

as part of a food relief program and half to the Canadian International Development Agency and CARE Canada for their programs.

A frozen groundfish stabilization program was implemented in 1969, designed to raise market prices and to prevent distress selling. This program was undertaken in collaboration with the Scandinavian countries. The Board purchased 17.3 million pounds of cod blocks (26 per cent of total production) as well as 240,000 pounds of fillets. By March 1970, the entire purchase had been returned, at cost, to the industry. This program was well received both by Canadian industry and by other countries because it was thought to have stabilized markets. A salted cod program was put in place during the year and was continued for two subsequent years to assist fishermen with price declines caused by oversupply and currency devaluation in some traditional markets.

Organizational Changes

In 1970, a separate **Marketing Services Branch** was established within the Department of Fisheries and Forestry. This Branch (which became a directorate in 1981 and was subsequently dissolved in 1986) was created following the groundfish crises of 1968 and 1969 and the subsequent market recovery through market intervention. Its function was to work with the FPSB to analyze market trends, and to provide marketing services, including promotion of fish products in Canada and abroad. Since 1986, market analysis has been handled in the Economic and Commercial Analysis Directorate of the Department. Promotion and government marketing assistance abroad has been assigned to the Department of External Affairs.

Groundfish Assistance During the 1970's

In 1972, the FPSB implemented a freshwater fish price stabilization program. Nearly all fish acquired by the FPSB under this program was resold to original suppliers, with few costs accruing to the Government. During the following year the Board initiated a program for fish meal. The federal government had previously imposed an embargo on fish meal exports because of a world protein shortage and domestic needs. However, the Board acquired only 960 tons of product before the embargo was lifted.

The year 1974 witnessed one of the many crises in the Atlantic groundfish industry. Low catches combined with poor markets caused a severe cost price squeeze and cash flow problems for processors. A number of measures were funded under both the Fisheries Prices Support Act and the Fisheries Development Act.

The Board implemented an inventory financing assistance program (buy program) to assure markets at stable prices and to help the industry with orderly marketing. Payments under the program totalled over $7.3 million for fiscal 1974-75. A further $5.5 million was authorized to provide credit for inventory financing of other fishery products. Moreover, $1.5 million was authorized in October 1974, and $3.0 million in December 1974, to purchase canned ocean perch and other canned products for use in international food aid programs. The strategy was to divert production into canned products to help reduce

frozen inventories. Also in that year the Government approved $3 million under a working capital loans program to assist the reopening of seasonal plants in northern Newfoundland, Labrador, and the Quebec lower north shore. Many of those firms had experienced losses because of ice conditions.

In January 1975, a program involving $15 million was initiated for frozen groundfish. The FPSB paid processors of frozen fillets and blocks to maintain July 1974 prices for fishermen. A Newfoundland trawler strike restricted actual payments and only $4.4 million was paid before the program ended in April, 1975.

The Groundfish Bridging Program was introduced in April 1975 to succeed the short term assistance measures that had been in effect from January, 1975. The program was a response to recommendations of a task force studying the problems in the industry.[3] The **Groundfish Bridging Program** involved $50 million assistance to groundfish fishermen and processors on both Atlantic and Pacific coasts. The program was intended to provide assistance until fish catches had returned to normal levels and the industry was on a sound footing. Payments to processors were conditional upon maintaining July 1974 prices to fishermen. Expenditures under the program for fiscal 1975-76 amounted to $20 million for fishermen and $16 million for processors.

During fiscal 1975-76, thirteen different programs were implemented which provided financial assistance of $44 million to various fisheries. Of these programs, eight were funded under legislative authority of the FPSB ($5 million) and six were funded by the Department of the Environment under the Fisheries Development Act. Under the authority of the FPSB, deficiency payments were made for crab, smelt, mullet, and whitefish and a buy program was implemented for canned lobster. Deficiency payments were also made to the Canadian Saltfish Corporation (which had been established in 1970) for salted product produced from small sized cod.

The **Groundfish Bridging Program** continued until March, 1978. Funding during the latter two years was authorized at about $100 million per year.

In 1976-77 the FPSB approved and implemented five programs, involving expenditures of $2.5 million. Programs providing deficiency payments for smelt, herring, whitefish and salted cod were implemented.

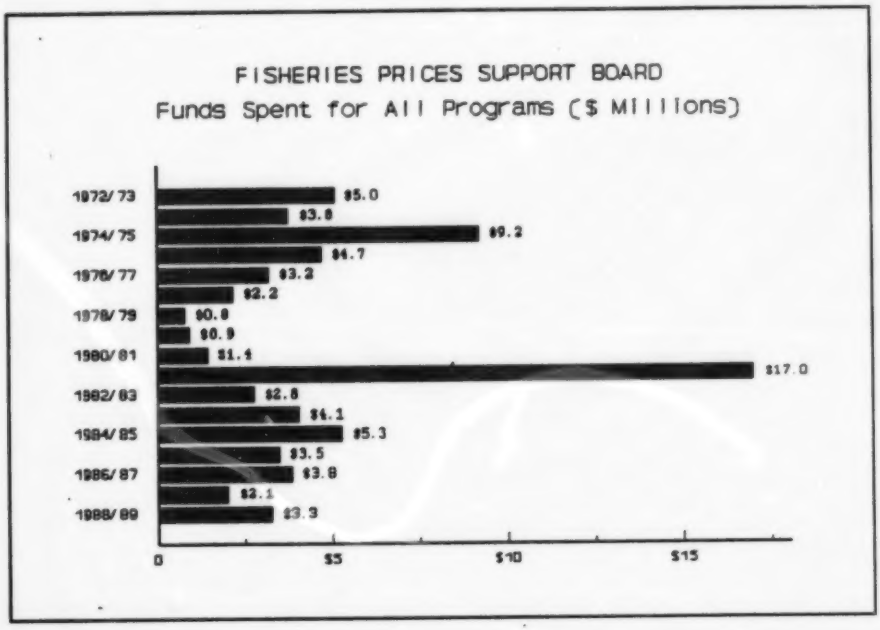
Since the mid-1980's, intervention has been more limited, reflecting better economic conditions following extension of fisheries jurisdiction in 1977. The extent of FPSB programs during the 1970's and 1980's is presented in Figure 1.

---

[3]The task force headed by Mr. Fernand Doucet, Chairman of the Freshwater Fish Marketing Corporation, made a number of recommendations to strengthen the industry including better stock management, reduction in fishing effort (both national and international), entry control, increasing efficiency, and orderly marketing.

As noted above, the FPSB has purchased canned fish (mainly mackerel) for the Canadian International Development Agency (CIDA). By purchasing and storing, the Board has eased cash flow problems. This program during the 1980's has involved about $3.5 million per year.

Figure 1



2. Consumer Services

In 1950, the Department of Fisheries established a consumer service as part of the group responsible for inspection. This new service was called the Inspection and Consumer Service Branch. Its main purpose was to encourage greater use of fish in homes, restaurants and institutions. An experimental kitchen was set up in Ottawa, where home economists tested and developed fish recipes. Consumer educational material in both English and French was provided to the industry, public and wholesale and retail distributors of fish. Material covered subjects such as proper storage and handling procedures.

To carry out the work of the consumer group, the Department initially established district offices in Vancouver, Winnipeg, Toronto and Montreal. In January 1957 an additional office was opened in Halifax, and in the following year in Edmonton. (By 1970, the offices in Toronto, Montreal and Edmonton were closed). In March 1954, there were eight home economists employed in this service but in later years the staff size and resources were

considerably reduced. A high point of the service occurred during a Federal-Provincial conference in 1955 when the test kitchen in Ottawa provided a fish luncheon for the Prime Minister (the Honourable Louis St. Laurent) and the Premiers of the provinces. A national fish week was also initiated in that year, sponsored by the Fisheries Council of Canada.

This function was incorporated into DFO's Information Service in 1961, in a move to bring together all of the Department's public information activities. It was moved to the Marketing Services Branch in 1972. An industry review of the function in 1974 resulted in an up-dated approach. Promotion at major food shows and conventions continued. However, increased attention was given to underutilized species, especially to mackerel as part of the Atlantic Mackerel Development Program. In 1986, the promotion and consumer services were abandoned by the Department (see below).

3. The Freshwater Fish Marketing Corporation (FFMC)

The Federal-Provincial Conference of 1964 formed an inter-governmental group to investigate issues related to the marketing of freshwater fish. This group subsequently recommended that an export-sales authority be established by federal legislation and that each provincial and territorial government provide for the appropriate reorganization of the fishing industries, within its jurisdiction, to ensure control of supply by the export agency. Instead, the Government of Canada appointed a one man Commission of inquiry to examine this and other options. Mr. C. McIvor, former Chairman of the Canadian Wheat Board, was given a wide ranging mandate to inquire into the marketing problems of the freshwater fishing industry in the provinces of Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories.

The Commission documented low prices obtained by numerous small Canadian producers and their poor bargaining position relative to larger United States importers. It cited a lack of quality control, product standardization and marketing coordination. It also noted that fishermen were often dependent upon buyers who supplied fishing gear and vessels. Fishermen would receive a cheque, at year end, for any profits earned after debt obligations to the buyer were satisfied. The Commission argued that this resulted in fishermen becoming indentured labourers since many received little or no compensation for their labour. It recommended, therefore, that a fish marketing board be established under federal legislation with powers as the sole purchaser/seller of freshwater fish in the designated area.

The Freshwater Fish Marketing Corporation was established in 1969. Its objective was to improve and stabilize earnings of Canada's inland fishermen through the exercise of control over production, transportation, processing and marketing of freshwater fish.

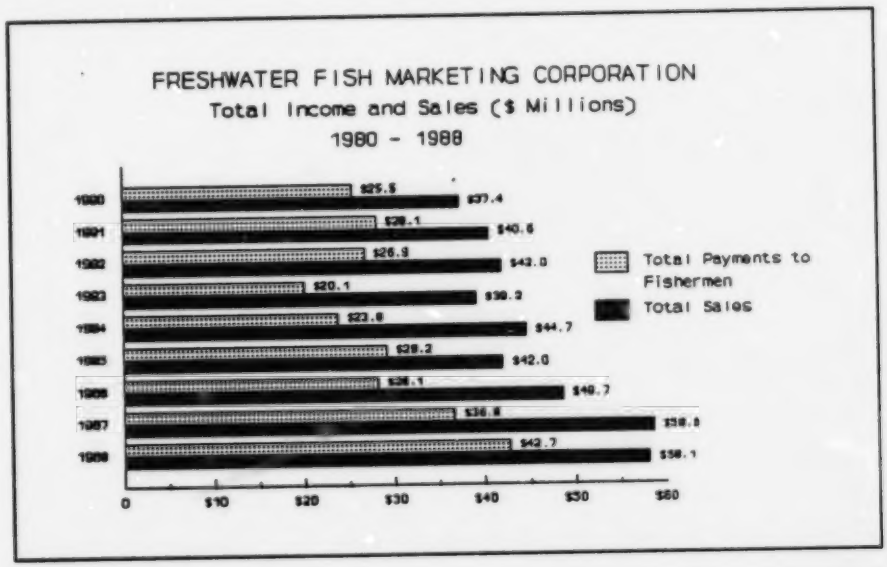
All commercial fisheries in the provinces of Saskatchewan, Manitoba, Alberta and Ontario (excluding the Great Lakes) and the Northwest Territories were included. The Corporation received a statutory grant of $100,000 to meet initial operating and establishment expenses. Agents were appointed and assigned responsibilities for financing fishermen, receiving and grading their catch and making initial payments to the fishermen.

A system of initial and final payments was instituted. Initial payments were set at levels close to the commercial value of the product and the final payment (net monies received in excess of initial payment) was distributed to the fishermen at year end.

During its first operating year, the Corporation involved thirty five agents and eleven processing plants. Earnings improved but it soon became apparent that centralized facilities for receiving, sorting and shipping fresh fish would improve earnings even more. This was subsequently accomplished at new Corporations facilities in Wascana, Manitoba.

During the 1980's, the Corporation increased its payments to fishermen virtually every year. Payments have ranged from $20 million in 1983 to $43 million in 1988 on total sales of from $37 to $59 million dollars. (See Figure 2)

Figure 2



Today, the Corporation services approximately 3,500 fishermen through 90 delivery points. High export prices and increased volumes to export markets have played a major role in increasing recent profitability of the Corporation. To date the Corporation has had the support of participating provinces as well as the majority of fishermen. Maintaining this support while conducting its operations in a self-supporting manner are obviously necessary for the viability of future operations.

4. The Canadian Saltfish Corporation (CSC)

At the turn of the century, the Canadian saltfish industry was located throughout Canada's Atlantic region. The provinces of Newfoundland and Labrador, Nova Scotia and Quebec produced the majority of saltfish. Changing social and economic conditions during the 1950's and 60's along with the development of the fresh and frozen fish industries caused a decline in the production of saltfish products.

Within Newfoundland, the southern coastal area moved to produce frozen fish, thus concentrating the saltfish industry in the northeastern part of the Province and in Labrador. Rising costs for fishing coupled with wide variations in landings from year to year, an inability to market the products as needed, and the loss of established markets in Greece and Brazil all contributed to a deteriorating situation.

In response to this situation, the government looked at ways to improve marketing. The Newfoundland Associated Fish Exporters Limited (NAFEL) was created in 1947 as the exclusive agency for the export of salted and dried cod fish. NAFEL had a monopoly in export trade and acted as a single desk sales organization until 1959 when it became a voluntary cartel (until 1970). In 1964, as a result of a request from the Government of Newfoundland and Labrador, the federal government created a Royal Commission to study the feasibility of a saltfish marketing board.

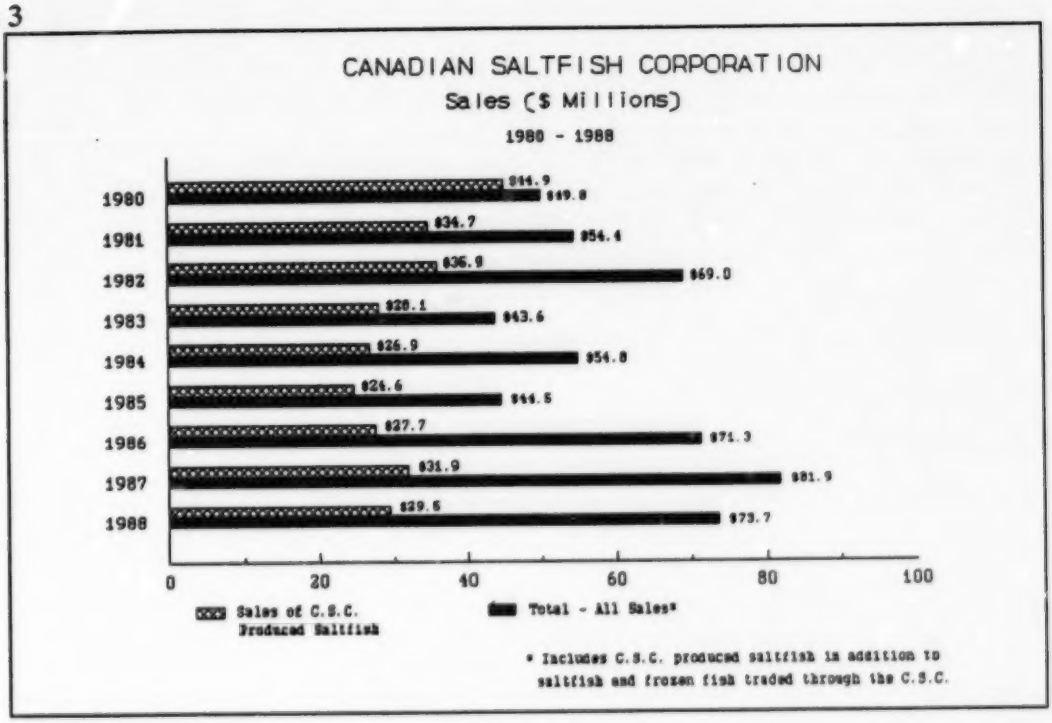
The Commission rejected the notion of a marketing board, but determined that there were many quality problems. Subsequently in 1970, persistent marketing difficulties and distress among primary producers along with the existence of the model of the FFMC led to creation of the Canadian Saltfish Corporation.

The Saltfish Act, establishing the Canadian Saltfish Corporation, was passed by the House of Commons on February 25, 1970. Parliament gave the Corporation the exclusive right to purchase, process, package and market saltfish. CSC operations were required to be self-sustaining. Purchase of fish at competitive prices and marketing of processed fish were to be performed without government assistance. The objective was to improve and stabilize the earnings of primary producers of cured fish and to improve methods of production.

Newfoundland agreed to participate in the operations of the Corporation as did the Province of Quebec with respect to the North Shore of that province. Both provinces passed legislation parallel to federal legislation. Other provinces declined to participate, allowing their saltfish industry to fend for itself in the market.

The C.S.C. recorded sales of $43 - $74 million annually from 1980 to 1988. Sales of saltfish only, produced by the C.S.C., have ranged from $24 million to $45 million during the same period. The difference is made up of sales of traded saltfish and frozen fish. Returns made to fishermen, by the C.S.C., from 1980 to 1988 ranged from $12 million to $25 million (See Figure 3). The 10-15,000 tonnes of saltfish produced annually accounts for one quarter to one half of Canada's salt cod production. Private companies in the other Atlantic provinces account for the remaining production.

Figure 3



"The CSC operates primarily by contractual arrangement with ten individual plant proprietors acting as agents of the CSC. Fish is collected from fishermen throughout the CSC's jurisdiction and transported to the agents' drying plants on the island of Newfoundland. The fish can be either salted by fishermen or sold directly to agents as fresh fish for subsequent salting. Once in the agent's plant, the fish are either dried or shipped in the semi-processed wet saltbulk form, depending on market requirements with respect to moisture content, size and salt content (heavy or light salted). The product is exported to markets around the world. Major markets include Portugal and the Caribbean."[4]

Many communities in Newfoundland, Labrador and the Quebec North Shore still rely on fishing and the CSC. In 1988, the CSC purchased 43 million pounds of its total yearly purchase of 56 million pounds from the communities located in northern regions. The CSC employed 1,180 plant workers and agents of which 850 are in northern communities. But as electricity spreads and transportation improves the population depending exclusively on the CSC shrinks. One estimate is that no more than 500 fishermen are totally dependent on the CSC, i.e., have no option other than selling to the CSC.

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[4] See "The Role of Crown Corporations in the Canadian Fishery", unpublished report, Department of Fisheries and Oceans, Economic and Commercial Analysis Directorate.

In recent years, the Corporation has not been entirely successful in maintaining itself as a financially self-sustaining operation. This has reflected declining and changing saltfish markets, the increasing preponderance of small fish (not well suited for saltfish markets) and some unfortunate management decisions. The 1983-84 fiscal year was the last year the Corporation operated at a surplus. The reported accumulated deficit has risen to approximately $16 million with $10 million of that being losses sustained in the 1988-89 fiscal year alone. As a result, the federal government along with participating provinces is currently reviewing the mandate and operation of the Corporation.

C. ASSISTANCE TO FISHERMEN

1. Fishing Vessel Assistance Program (FVAP)

The Department of Fisheries introduced the Fishing Vessel Assistance Program (FVAP) in 1942. The objective of the program was to assist Canadian fishermen in the purchase of fishing vessels (this was amended in 1976 to include modification or conversion of fishing vessels). In doing so, it was expected to help modernize the fleet and improve its fishing capacity. Originally the program had its greatest impact on the Atlantic fisheries, although all Canadian fishermen were eligible. The program was finally discontinued in 1986 because it was considered to have contributed to significant overcapacity and no longer served a purpose.

Under the original program, the Government paid provincial loan boards in the Atlantic provinces up to $165 per gross ton towards the cost of vessels between 55 and 60 feet in length. This payment was also available for longer boats when they were owned by four or more fishermen. New regulations in 1961 increased subsidies: vessels greater than 40 feet in length and less than 100 tons were eligible for a subsidy of $250 per ton.

Before 1956, actual dollar expenditures for the program were small. However, in the 1956-57 fiscal year expenditures were $390,000. In the following years the number of subsidized vessels increased considerably. In 1961-62, thirty-nine vessels received assistance totalling $300,000. During the following year 49 vessels qualified for $500,000.

In addition, a subsidy was in effect in the 1960's to encourage diversification of inshore fisheries. The subsidy provided for payment of 25 per cent of the approved cost of constructing fishing vessels between 35 and 45 feet in length. In 1969-70, the Department of Fisheries and Forestry assisted the construction of 44 vessels for a total outlay of $565,000.

After 1970, assistance was available for all vessels, not just wooden fishing vessels in the Atlantic Region. Under this new program 35 per cent of the approved cost was paid by the Department of Fisheries and Forestry for vessels 45 to 75 feet in length. This assistance was provided directly to vessel owners. The Department of Industry Trade and Commerce was responsible for vessels 75 feet in length and over. Unlike smaller vessels the assistance (after approval from the Department of Fisheries) was paid to shipyards. With the

expansion of the program, it was expected that Canada's fishing fleets would be able better to compete with other fishing nations. During the first year of operations in 1970, 245 fishing vessels in the 45-75 foot range and 18 larger vessels were subsidized. During the following year, $4.2 million was paid in subsidies for 286 smaller vessels and $5 million for 13 large fishing vessels.

In 1975, a new policy was introduced which restricted applicants to full-time fishermen, not engaged in limited-entry fisheries. Vessel subsidies of $4 million dollars were provided during the year. To prevent further expansion of the Pacific fleet, subsidies were suspended for British Columbia fishermen (at the request of the fishing industry). So once again, the program provided assistance only to the Atlantic (and freshwater) fisheries.

Figures 4 and 5 illustrate assistance provided to fishermen from 1975 to 1986. The funding ranged from $4 to $11 million annually for a total of 5,215 vessels. The average subsidy per vessel was about $13,000. Approximately 95 per cent of the subsidies were for vessels in the Atlantic fisheries, with the balance to the freshwater fisheries.

The FVAP was discontinued in March 1986. The program had been introduced to provide capital for fishermen at a time when there were few alternative sources. Given the overcapacity of the Canadian fishing industry, the program was incompatible with the need to halt the increase in number of licenses and to limit entry.

Figure 4

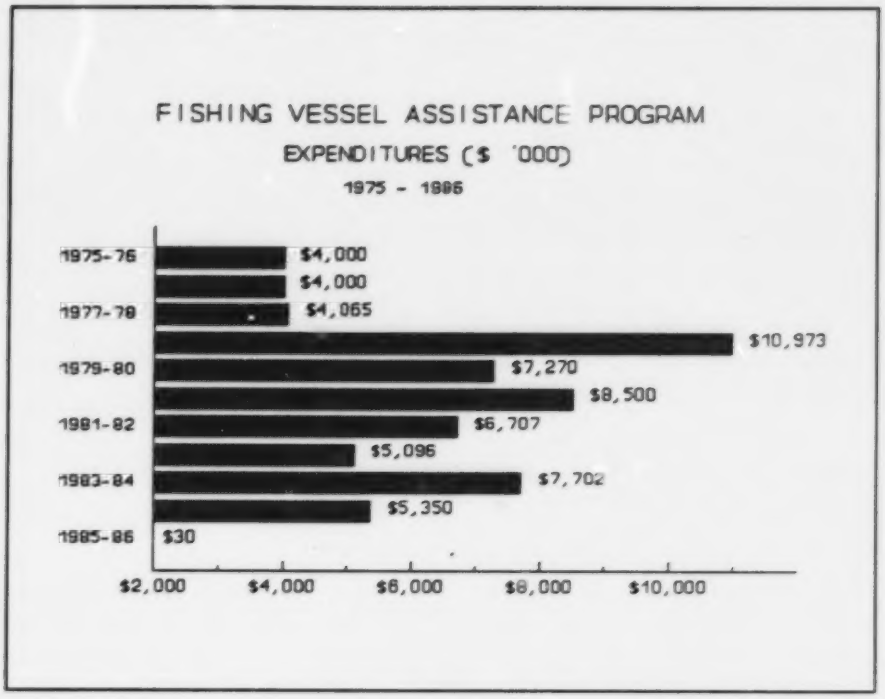
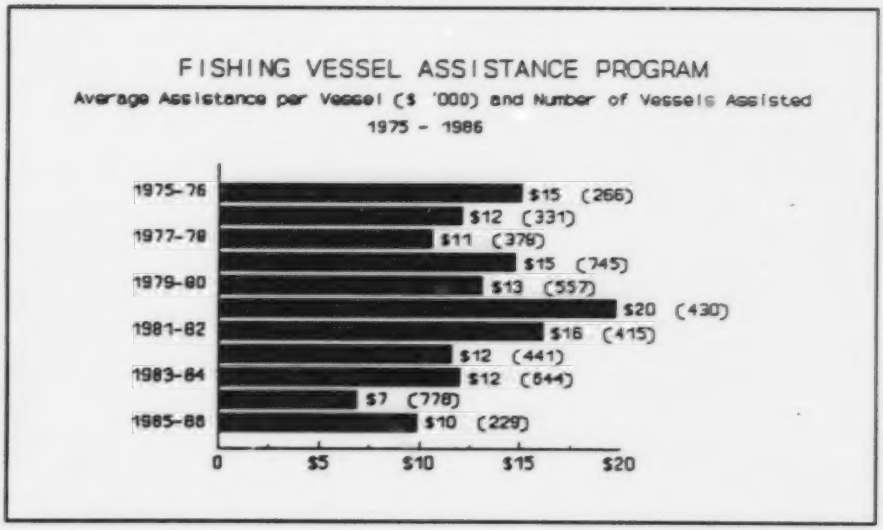


Figure 5



Beginning in the early 1980's, special shipbuilding assistance was also provided by the Department of Regional Industrial Expansion (DRIE), in conjunction with certain provinces. Two examples occurred in 1986. A DRIE grant of $10.5 million, matched by the province, was provided for the construction of seven vessels at Marystown Shipyards in Newfoundland. DRIE assistance of $2.0 million, matched by the province, was paid for the construction of three vessels at the Georgetown Shipyards in Prince Edward Island. These grants were designed to help Canadian shipyards compete with heavily subsidized overseas shipyards.

(i) Shipbuilding Industry Assistance Program (SIAP)

Introduced in 1975, the Shipbuilding Industry Assistance Program (SIAP) was one in a succession of shipbuilding industry assistance programs instituted after World War II. Assistance was provided directly to the shipyards beginning in 1961. It helped to offset high costs of production and to assist Canada's shipyards to compete with subsidized shipyards in other countries. Direct production subsidies were discontinued in 1985.

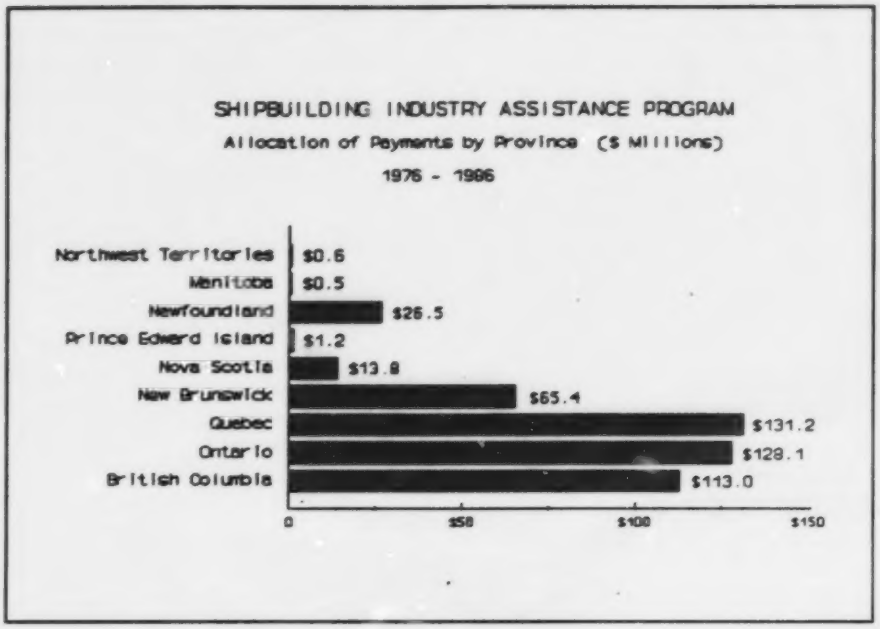
SIAP had two components. The first was production assistance, as described below and the second was Performance Improvement Grants (PIG). The Performance Improvement Grants provide assistance for shipyards modernizing their plants and equipment. Shipyards earned credits under PIG by investing in capital equipment (such as special welding equipment and cranes) and were able to save these credits to offset up to 50 per cent of approved productivity improvement investments. Each credit was equal to three per cent of the vessel's cost.

The amount of assistance varied over the years. During the period 1961 to 1968 vessels such as Atlantic fishing trawlers qualified for a 50 per cent subsidy. In 1968 this was reduced to 35 per cent. When SIAP was introduced in 1975, the initial rate was 14 per cent for vessels greater than 75 feet in length. It was intended that this rate would drop by one per cent per year until 1981 at which point it would be eight per cent. This however did not occur. In 1977 the rate was increased to 20 per cent and was maintained at this level until 1980. The rate was reduced to nine per cent in 1980 and an annual program spending limit of $74 million was established for each of the fiscal years 1981 through to 1984. Total assistance provided between 1980 and 1984 was $433 million with a yearly average of $70 - $75 million. Of this amount approximately three million dollars annually was claimed for fishing vessel construction.

It should be noted that SIAP was established to assist the shipbuilding industry - not the fishing industry. Assistance provided for fishing vessel construction was mainly for vessels being built for fish processing companies and amounted to less than five percent of total annual program expenditures.

SIAP production assistance was discontinued for vessels scheduled for delivery after June 30, 1985. The allocation of payments by Province under this program between 1976 and 1986 is shown in Figure 6. Quebec, Ontario and British Columbia obtained the largest amount of assistance.

Figure 6



2. FVIP: Fishing Vessel Insurance Plan (previously Fishermen's Indemnity Plan)

The Fishermen's Indemnity Plan was authorized in 1953 to provide fishermen with affordable commercial insurance. The plan provided fishermen with coverage for serious loss or damage to vessels and was enhanced in 1970 with third party collision coverage. Having recovered from a deficit situation in the early 1980's the program has maintained a profitable position since 1985. (See Figure 7).

In the winter of 1949, Atlantic fishermen experienced heavy storms causing losses of boats and gear. As a result, a departmental Task Force examined insurance for fishermen to reflect the special risks faced by fishermen and the costs of losses. It found that commercial insurance was not available to many small boat fishermen and where it was, premiums were high. The dispersion of small vessels in many hundreds of fishing settlements made it difficult for commercial marine insurance companies to provide coverage to fishermen.

Parliament authorized (in regulations) the Fishermen's Indemnity Plan in July 1953. It assigned administration of the plan to the Fisheries Prices Support Board, with an annual premium of one per-cent of the appraised value of vessels.

This insurance was available to all coastal fishermen operating vessels valued from $250 to $7,500. The maximum value increased to $10,000 in 1957, $12,500 in 1963, and $25,000

in 1968. The plan initially indemnified 60 per cent of appraised value in the event of total loss and 85 per cent of repair costs in excess of 15 per cent of the appraised value. By March 1955, 2,360 vessels were protected under the plan and by 1960 the total was 5,560 vessels.

The initial period of operation showed that premiums were close to covering costs of claims. The plan was particularly effective during adverse periods such as September, 1954 when Hurricane Edna caused considerable damage.

In 1970, the Industrial Development Branch of the Department of Fisheries and Forestry assumed responsibility for administrating the FVIP. Premiums were increased to one and one half per cent for vessels valued up to $15,000 with a two per cent rate on vessels valued at more than $15,000. Provision was made to include some large vessels in the plan. In the 1968-69 fiscal year a surplus of $155,000 was earned by the Plan and in 1971 the minimum insured value for vessels was increased to $500.

Protection was extended to cover unusual loss of fishing gear and equipment. At first, this insurance was restricted to lobster fishermen for traps. But, in 1966, it was extended to fixed fishing gear, shore installations and equipment used in fishing. However, this insurance was discontinued in 1968, because it was costly and few fishermen subscribed to it. Acceptance of the lobster trap insurance, for the most part, had been limited to areas of heavy losses.

Amendments to the Fishing Vessel Insurance regulations were made in 1975. Significant changes were: "flexible premium rates to provide financial incentives to encourage each vessel owner to operate and maintain his vessel in a safe and efficient manner; additional protection for owners of insured fishing vessels by providing for payment of reasonable expenses incurred in attempts to save their vessels, or to minimize the damage sustained.[5]

The years 1976 and 1977 proved to be good years for the plan. The number of insured vessels increased and, after claims and operating expenses, there was a surplus of revenues. Growth of the fund continued until 1981. When the fishing industry experienced losses six times as heavy as in 1978-79. The increased demand on the fund put the insurance plan in deficit with a net loss of $23 million. Premiums were subsequently increased and coverage refused for fishermen with particularly poor claims histories. This continued until 1985 when the Minister announced the Plan would be strictly on a cost recovery basis. As of 1988-89, it had net premiums of $11.8 million and net claims of $7.1 million.

Privatizing the FVIP has been discussed on a number of occasions. With private and mutual insurance companies now operating in the fishing vessel insurance sector it has been argued that there is no longer a need for a government insurance program. In 1978 the government announced its intention to privatize. Approval was sought from the insured

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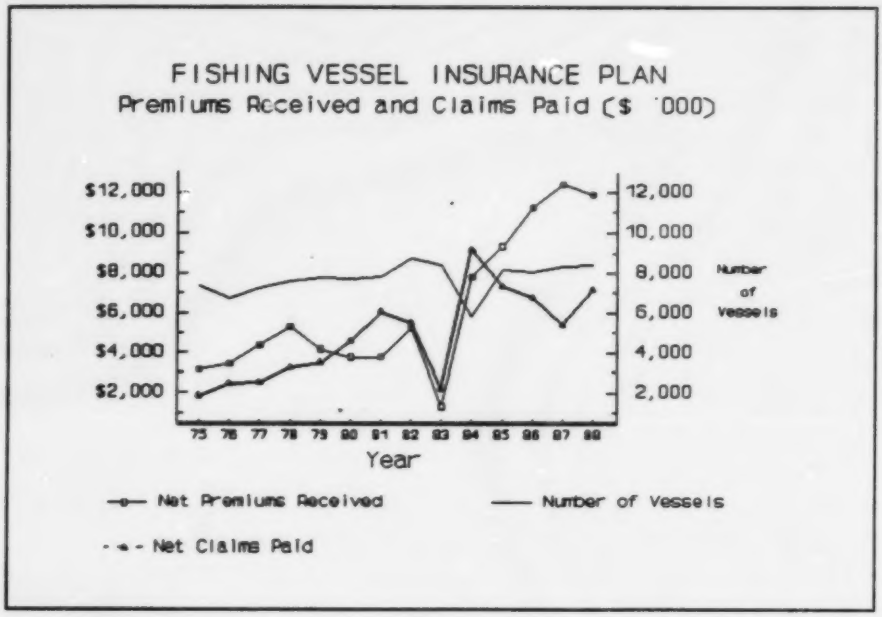
[5] Fishing Vessel Insurance Plan, **ANNUAL REPORT AND FINANCIAL STATEMENT**, Year Ended March 31, 1976, p. 1.

fishermen to introduce mutuals. According to a survey undertaken by the FVIP, 44 per cent of fishermen wanted a mutual plan, 42 per cent wished to retain FVIP, six per cent wanted commercial insurance and eight per cent were undecided. The results did not suggest an overwhelming desire for change and no changes ensued.

Nevertheless the idea was considered again in 1984. An announcement to discontinue the plan was made in late 1984 but due to concerns raised by the fishing industry, the Minister rescinded his decision in 1985. He noted, at that time that henceforth the FVIP would be operated on a cost recovery basis. In 1989, the idea was once again considered but abandoned. Since 1985 the plan has been in a favourable financial position (See Figure 7).

Figure 7



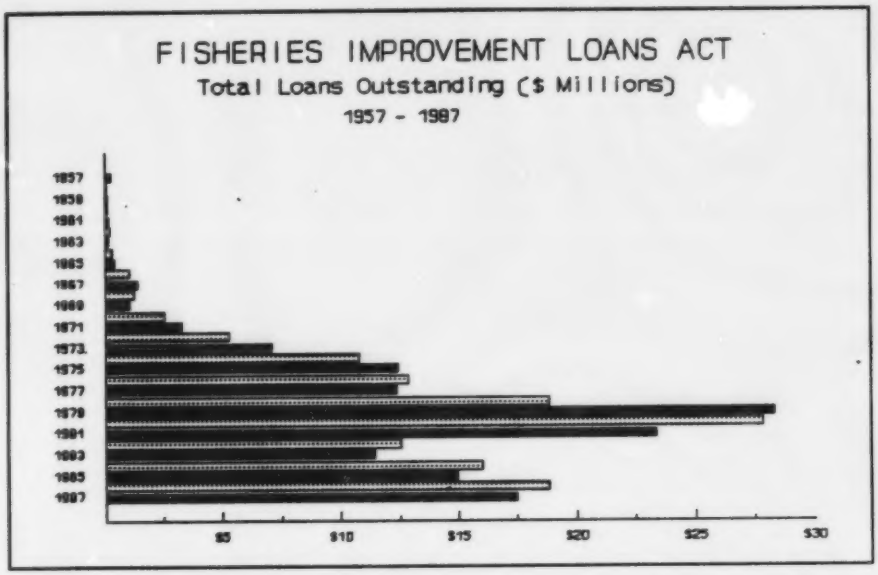
3. Fisheries Improvement Loans Act (FILA)

The Fisheries Improvement Loans Act (FILA) was instituted to assist fishermen in obtaining access to intermediate and short-term credit to improve their fishing businesses. The Act was passed in 1955 for an initial period of three years. Amendments through the years kept FILA active until January 1987 at which time it reached its guarantee limit. In June 1987 the FILA was allowed to expire, and the Small Business Loans Act (SBLA) was amended to include fishermen.

The purpose of FILA was to facilitate credit availability from private sector lending institutions. FILA empowered the Minister to guarantee against loss any loans made to fishermen by lending institutions for the improvement of fishing businesses and hence

meant more favourable borrowing conditions for fishermen. Figure 8 presents the total amount of loans registered from 1957 to 1987.

Figure 8



A wide range of loans were available under this program: for the purchase, construction, major repair or overhaul of fishing vessels; for the construction, repair or alteration of any buildings required by a primary fishing enterprise; and for general works related to the development or improvement of a primary fishing enterprise[6].

Prior to 1978, terms of repayment were a maximum three years, but in 1978 this was increased to 15 years. Loans had to be secured with equity from a fisherman's own resources. Before 1978, interest rates were set every six months based on government bond yields plus one per cent. After 1978 the maximum rate of interest was based on the average prime lending rate of the six largest chartered banks plus one per cent. This rate varied with changes in the prime lending rate.

The limit set by the government grew over the years. During the last year of operation FILA could guarantee a total of $150,000 per borrower. The average loan ranged from $1,099 in 1957 to $23,172 in 1987.

During the period from 1955 to March 31, 1990, a total of $15.7 million in claims was paid to banks for loans not repaid by borrowers, of which $766,142 was recovered.

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[6] ANNUAL REPORT, Fisheries Improvement Loans Act, 1987 p.5

4. Indian Fishermen's Assistance

From 1968 to 1986, four initiatives were implemented in B.C. to arrest the decline in Indian fishermen participation in commercial fishing.[7] The funding for these programs ($42.7 million) came from both the Department of Indian and Northern Affairs and the Department of Fisheries and Oceans.

(i) Indian Fishermen's Assistance Program

The Indian Fishermen's Assistance Program (IFAP) provided grants and loans to native fishermen to upgrade their vessels. The intent was to increase the efficiency and mobility of the native fishing fleet so that it would be able to compete effectively with the non-native fishing fleet. The program was established in 1968 and was discontinued in 1979. Approximately $16 million was spent under the program.

(ii) Indian Fishermen's Emergency Assistance Program

The Indian Fishermen's Emergency Assistance Program provided $4 million in financial assistance to native commercial fishermen in 1981. Economic conditions in the early 1980's (high interest rates, fuel prices and vessels prices) resulted in financial hardship for many native commercial fishermen. The program was designed to assist fishermen through this period.

(iii) Northern Native Fishing Corporation

The Northern Native Fishing Corporation was established in 1982. In the early 1980's the large fishing companies discontinued renting their vessels. Since many native fishermen rented vessels from these companies, it was necessary to purchase vessels to continue fishing. The Corporation assisted three northern tribal councils to purchase 243 gillnet vessels and 253 licenses from BC Packers Limited. A Federal Government grant of $11.7 million was provided for this initiative. Three million dollars was applied to vessel improvement and operating costs with the remainder used for purchase of vessels.

(iv) The Native Fishing Association Program

The Native Fishing Association Program was established in 1986 to provide assistance to native commercial fishermen experiencing financial difficulties. The program also provided business management training to native fishermen to assist in improving their operations. The Program's initial funding of $11 million was provided by the federal government. The funds were used to establish a revolving loan fund for use by native fishermen.

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[7] See The Native Brotherhood of British Columbia and The Native Fishing Association, A Comprehensive Plan to Increase Native Participation in the British Columbia Fishing Industry, July, 1989, page 4.

5. Taxation Assistance

Accelerated capital cost allowances were introduced after World War II by the Department of Trade and Industry with the objective of encouraging growth in Canadian shipbuilding. This provision allowed vessel owners to write off the capital costs of their vessel over three years (changed to four years in 1982) instead of the previous time period of 15 years. Recaptured depreciation from the sale of a vessel was taxable but the tax could be avoided if the gain were reinvested in the construction of a new vessel. This rapid depreciation provision no doubt contributed to vessel construction activity during the postwar period and continues to do so today. There are also investment tax credits available under the Income Tax Act. Investors can deduct a varying fraction of new investment from tax otherwise payable in the year of acquisition. (Rates vary among regions.)

Fishermen also qualify for excise tax rebates on fuel and equipment purchases.

6. The Pacific Salmon Fishery Buy Back Program

This program was introduced in July 1971 and suspended in May 1974. It was re-activated in 1980-81. This program was part of the salmon licence control scheme designed to reduce the fleet by purchasing and retiring licensed vessels. Licence fees were doubled to fund the program. During the initial period in 1971 the program retired 362 vessels at a cost of $6 million. During the final period in 1981, $2.9 million was spent to retire 36 vessels. The program probably resulted in retiring the least efficient vessels and probably had little long term impact on capacity.

Although the Commission on Pacific Fisheries Policy (the Pearse Commission) recommended a continued policy of vessel retirement from the salmon fishery,[8] none has been implemented to date.

D. ASSISTANCE FOR FACILITIES

1. Fish Chilling Assistance

Assistance for freezing and chilling fish was available from 1949 to 1980 and again during the late 1980's. Current assistance is available under Economic and Regional Development Agreements (fisheries subsidiary agreements) between the federal and provincial governments.

Regulations were adopted in 1949 to encourage freezing and bait storage facilities to enhance availability of bait supplies to fishermen. Assistance to a maximum of 75 per cent of cost but not exceeding $10,000 to any one applicant was available for maintaining and operating bait freezing and storage facilities for fishermen.

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[8] See Final Report of the Commission on Pacific Fisheries Policy, Turning the Tide: A New Policy For Canada's Fisheries, 1982, page 115.

In 1972, the Department undertook an assessment to determine the need for additional ice-making and fish-chilling facilities. As a result, the **Fish Chilling Assistance Program** was initiated under the Fisheries Development Act in December, 1973. It terminated in March, 1980. This program provided financial assistance for ice making and storage facilities, as well as vessel chilling equipment and insulation; projects designed to improve on-board handling equipment for small inshore vessels; and promotion of the use of mechanical and sun drying methods for squid. The objective of this program was to minimize deterioration of fish. Costs were to be shared equally between federal and provincial governments and the maximum federal contribution for each facility was $25,000. In the first three years of the program, a total of $4.2 million was provided for equipment in plants and on vessels.

In 1977, the maximum payment per facility was increased to $50,000. In the next two fiscal years, $4.0 million was expended, but assistance declined in subsequent years.

There was also an **Inshore Fish Handling System Program** implemented by the Treasury Board in 1977 which ended in 1981. This program provided assistance of $13 million in the Newfoundland inshore fishery for equipment such as hoists, graders, and insulated containers.

2. Newfoundland Bait Service

Under the terms by which Newfoundland became Canada's tenth Province, the Department assumed responsibility for the maintenance of the Newfoundland Bait Service. This program was started in 1934 by the Newfoundland Commission of Government and has continued to the present day.

The program involves acquisition, storage, distribution and retailing of bait products from a network of facilities. Bait is purchased by the Government and then sold at lower prices to fishermen. The net cost of operating this program has normally ranged from one to two million dollars per year.

3. DREE, DRIE: Department of Regional Economic Expansion (later Department of Regional Industrial Expansion)

Federal assistance to fish processing plants in the Atlantic Region began in the early 1960's under the aegis of the **Atlantic Development Board (ADB)**. This board was created in 1962, and funded in 1963 with $100 million (later increased to $150 million). The objective of the ADB was to foster economic growth and development in Atlantic Canada. There were a number of other federal programs at the time to address regional economic disparities (such as the **Cape Breton Development Corporation**), but they did not provide much support to the fishing industry. The ADB's main program was funding to improve water supply for industrial operations. Many fish plants were provided with funding for this purpose during the 1960's. Infrastructure for the fishing industry was also funded under other ADB incentives. Near the end of the decade ADB programs were extended to include export promotion.

When the **Department of Regional Economic Expansion (DREE)** was created in 1969, the ADB responsibilities as well as many other regional development programs were transferred to that Department. DREE was created because regional development was to be given a top priority and an overall focus was thought to be necessary for planning and coordinating programs. Other programs absorbed into DREE were the **Area Development Agency (ADA), the Fund for Rural Economic Development (FRED), the Agriculture and Rural Development Act (ARDA)** and the **Enterprise Development Program (EDP).**

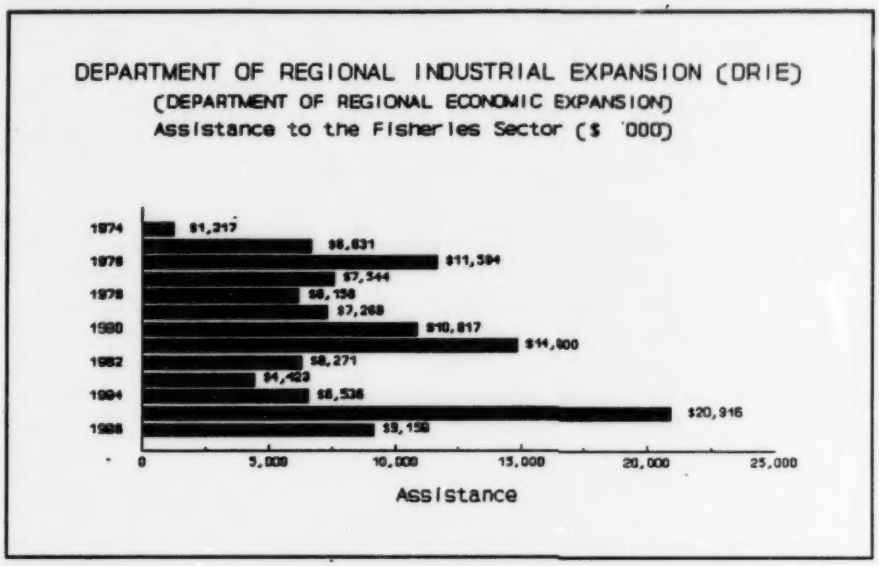
DREE programs for federal-provincial development agreements started in 1974. Ten year **General Development Agreements (GDAs)** were signed with all provinces except P.E.I. where a 15 year Comprehensive Development Plan had been signed in 1969. The GDAs encompassed specific joint programs through **subsidiary agreements.** As of April 1981, 117 subsidiary agreements had been signed involving Federal commitments of $3 billion. The **Special ARDA Program** agreements, also under DREE complemented the GDAs. Those agreements involved assistance for disadvantaged people - particularly those of Indian and Inuit ancestry.

The **Ministry of State for Economic and Regional Development (MSERD)** was established in 1979 as a new central agency. Under its authority, **Economic and Regional Development Agreements (ERDAs)** were signed with the Provinces and territories to replace the GDA's. In mid 1984, when MSERD was disbanded, the Minister of **Regional Industrial Expansion** was made responsible for these agreements. Under the ERDA, **Fisheries Subsidiary Agreements** were signed with each Atlantic Province. Management committees with equal federal and provincial representation were established to administer and manage each subsidiary agreement. Departments involved were represented on the committee. Most of the fishery programs were aimed at general resource development, demonstration projects, and training, productivity improvements, increasing energy efficiency, establishing infrastructure for common use facilities, quality improvement, upgrading, handling and storage standards, etc.

The main DREE programs to assist the fishing industry in the 1970's were the **Regional Development Incentives Program (RDIP), the PEI Comprehensive Development Plan** and the **GDA for Newfoundland.** Some assistance for construction of fish processing facilities was provided during the 1970's under the Special ARDA agreement with B.C. In 1982, as a result of the growing concern about excess processing capacity in the Atlantic fisheries, it was decided to terminate assistance for the construction of new plants and plant expansions. However funding continued for plant conversions, upgradings and for facilities to produce "new" products.

In 1983, the **Department of Regional Industrial Expansion** was created through the merger of the **Department of Industry Trade and Commerce (ITC)** and DREE. In the early 1980's the **Industrial and Regional Development Program (IRDP)** took over from previous programs such as EDP and RDIP. Assistance to the fishing industry under all of these programs for the years from 1973 to 1986 is shown in Figure 9.

Figure 9



E. INDUSTRIAL DEVELOPMENT SERVICE

Parliament established an industrial development vote in 1950 for the purpose of providing development programs to aid fishermen and the fishing industry in general. From 1950 to 1955, the vote was administered directly from the Deputy Minister's office in the Department of Fisheries. Projects such as exploring new stocks of fish and development of fishing and processing gear and equipment were initiated.

A separate service with its own director was created in 1955. The main functions of the service were to apply scientific findings and to encourage the adoption of new catching, processing and distribution techniques. The service was organised with an engineering section, a vessels and gear section and a special services section. The approach to fisheries development from the 1950's into the 1970's was to improve Canada's position among major fishing nations and to increase economic returns to the Canadian fishing industry.

During the first year (1955-56), about 15 projects were financed with a total Departmental expenditure of about $430,000. The following year expenditures increased to over $640,000. In 1956-57 a committee was established to coordinate work related to industrial development projects of the Department of Fisheries and the Fisheries Research Board.

During the late 1950's, in addition to many gear and vessel technology projects, the Industrial Development Service conducted exploratory fishing projects and sponsored federal-provincial conferences to examine ways to modernize Atlantic fishing fleets. It also operated a processing plant at Valleyfield, Newfoundland to explore methods for processing salted fish. Projects were initiated relating to new products, packaging and transporting fish. A major gear development at that time was the mid-water trawl which was first used

in British Columbia and then introduced to Atlantic fisheries. Refrigerated seawater systems were also provided at that time for preserving fish while being held and transported.

The service administered the Fishing Vessel Assistance Regulations and the Frozen Bait Storage Assistance Regulations and was responsible for advising on marine works and aids to navigation.

By the mid 1960's the Industrial Development Service was involved in over 100 different projects, applying new technology to fish finding and fish catching and to most other facets of the industry. The Service was active in expanding and developing the Atlantic herring and crab industries in the late 1960's and in assisting administration of the **Newfoundland Fisheries Household Resettlement Program.** This was a federal provincial program designed to facilitate the movement of households from many small fishing settlements in Newfoundland to larger communities. From 1965 to 1970 a total of $7.4 million was spent of which the federal share was $5 million. During the five years, 3,240 families were moved. In 1970, responsibility for this program was shifted to the Department of Regional Economic Expansion.

The legislative authority for programs of the Industrial Development Service became the Fisheries Development Act when it was passed in 1966. Prior to this time, funding was obtained through a process called "vote netting" under various Appropriations Acts.

In 1973, exploratory fishing activities located sizeable stocks of capelin on the Grand Banks and mackerel off Newfoundland's north-east coast. The following year, a major $1.3 million program was launched jointly with the Department of Regional Economic Expansion to establish a capelin fishery. A program to convert traditional side-trawlers to more efficient stern-trawlers, which had been established in 1972, continued.

From 1965 to 1975 the Service carried out 830 projects. Of these 226 dealt with fishing methods and equipment, 145 involved exploration of fish stocks, 80 were for vessel design, materials and propulsion, 174 for processing and product development, 104 for general development, 34 for aquaculture, 26 for development of electronic equipment, and 40 had to do with training and education of fishermen and plant workers.

In 1975, the Industrial Development Service was disbanded.

F. FEDERAL PROVINCIAL ATLANTIC FISHERIES COMMITTEES AND COLLABORATIVE APPROACHES DURING THE 1960'S

In 1959, the Federal Provincial Atlantic Fisheries Committee was formed, consisting of deputy ministers from provincial and federal governments. A similar committee was set up for Ontario fisheries and in 1964 committees were formed for prairie fisheries and B.C. fisheries. These committees were to coordinate programs of mutual concern and to assist

orderly fisheries development. The Committees met at least once a year to discuss major policy questions.

The first Federal-Provincial Ministers Conference on Fishery Development was held in Ottawa in January, 1964. This was the first of several federal provincial conferences with sponsorship shared between the Department of Fisheries and fishery authorities of Atlantic provinces. This conference concluded that Canadian fisheries resources could support long term expansion of the fishing industry. Accordingly, Ministers mapped out a program for improving catching and processing techniques, expanding markets and reducing price uncertainties. Principles were similar to those being applied in agriculture.

In 1966, the Industrial Development Service of the Department of Fisheries sponsored two federal provincial conferences. An Atlantic herring fishery conference created great interest, even among B.C. fishermen who were facing a declining herring resource. A conference on offshore fishing vessels focused attention on concepts of new vessel design, safety and efficiency.

In 1967-68, additional conferences were held on fish protein and fishing vessel construction materials. 1969-70 conferences were held on Atlantic crab and automation in the fishing industry.

In total, the Service sponsored nine conferences during the decade. This set the stage for considerably enhanced consultation during the 1970's and 1980's.

G. UNEMPLOYMENT INSURANCE

When the Unemployment Insurance Act was passed in 1940, its objective was to provide income support during temporary interruptions in employment. Coverage was limited to a qualifying wage or salary. The period during which benefits could be received was limited, and only involuntary unemployment was insured. The program, as passed in 1940, was not a universal income support program. No support was provided for those who were self-employed, such as fishermen, on the grounds that the self-employed could manipulate their periods of unemployment to their advantage.

Unemployment insurance coverage was extended to most seasonal workers in 1950, but fishermen remained ineligible for benefits until April, 1957. After seven years of study, and increasing demands by fishermen for "equal treatment", Parliament passed unemployment insurance fishing benefit regulations in 1957. Fishermen were covered on the basis that buyers would be treated as their employers. Benefits were payable to fishermen only during the seasonal benefit period of January 1 to April 15.

The Unemployment Insurance Act in 1970 was introduced to ensure that unemployment insurance benefits were compatible with other social security programs and to eliminate existing gaps and overlaps. As well, it aimed to ensure that workers would be better able to deal with frictional unemployment (time between jobs), and re-enter the job market. The White Paper, on which the Act was based, recommended that self-employed individuals not be covered since the program was designed for aiding those between jobs. However, self-employed fishermen continued to be insurable. Their unemployment insurance

coverage would continue for a three-year period during which the government would develop a program, unrelated to the Unemployment Insurance Act, to protect them from the uncertainties of the fishing industry.

In 1971 the Government authorized creation of a new program to replace the unemployment insurance program for fishermen. From mid 1971 to the start of 1974, however, work on developing a new program was suspended. In 1974 work resumed in conjunction with the Social Security Review.

Self-employed fishermen argued that existing regulations were discriminatory, regressive and not suited to industry needs. In response to these criticisms and problems in the Atlantic groundfish fishery, regulations were changed in the fall of 1976. The new regulations allowed benefits to start earlier (the week of November 1 rather than December 1) and authorized payment of regional extended benefits in the November 1 to May 15 season (additional weeks of benefits available based on the area's unemployment rate). Plans to develop an alternate program to unemployment insurance for fishermen were once again suspended.

In November 1978, the Government rejected a proposed amendment to the Unemployment Insurance Act to remove coverage for fishermen. The Unemployment Insurance Commission investigated the possibility of bringing premiums more in line with fishing benefits, which far exceeded contributions from fishermen and processors.

Two major changes occurred in 1980. Separate coverage was permitted for fishermen and their spouses. Previously if a husband and wife worked together their earnings were pooled, so they were not able to file separate unemployment insurance claims. A decision was made, prompted by many complaints lodged with the Canadian Human Rights Commission, to include wives separately from husbands. The additional unemployment insurance costs were estimated at $7.3 million in 1981.

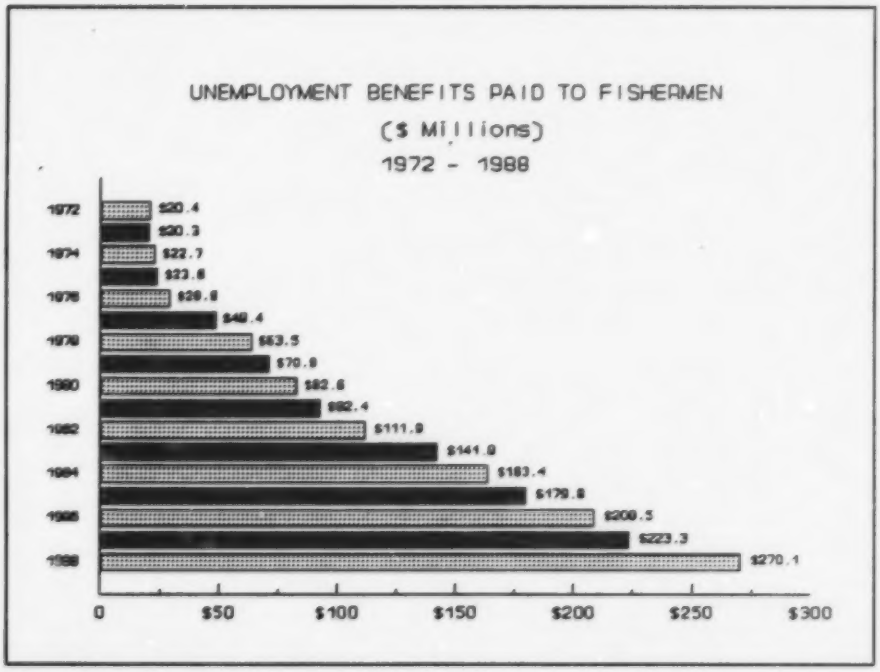
The second important change required the unemployment insurance program to be self-financing, with the cost of operating the program coming from employee and employer contributions. However, the federal government contributed to make payments for self-employed fishermen, payments relating to regionally extended benefits, and payments to those who took approved training or who participated in job creation projects. All of these were excluded from the self-financing provision.

Under the U.I. program, fishermen are eligible for benefits depending upon their fishing activities. Fishermen who work as employees are eligible for regular U.I. benefits (as are fish processing plant employees). Self-employed fishermen are eligible for benefits from the (separate) Fishermen's U.I. program, either as "year-round" or "seasonal" fishermen. Year-round fishermen must have worked 20 weeks (fishing and other employment) out of the last 52 on a vessel designated by the Commission as a year-round fishing vessel. Seasonal fishermen require a minimum of ten weeks of insurable employment in order to qualify under the Fishermen's U.I. program (a minimum of six weeks must be weeks spent fishing). Unlike year-round fishermen who are eligible for U.I. throughout the year, seasonal fishermen receive benefits only during the off-season (summer fishermen are eligible for benefits from November 1 to May 15 and winter fishermen are eligible for benefits from May 15 to November 1).

As with recipients of regular unemployment insurance, fishermen are also eligible for regionally extended benefits. Extra weeks of benefits depend on an area's unemployment rate. Those eligible for benefits in areas of high unemployment could receive an additional 32 weeks of U.I. benefits. Seasonal fishermen, however, are generally limited to 29 weeks of benefits due to U.I. regulations.

Figure 10 illustrates unemployment benefits paid to fishermen since 1972. The majority of fishermen qualify for U.I. with only a minimum number of insurable work weeks. Hence, only a small portion of benefits are actually funded by beneficiaries. In 1987, for example, the premium contribution from fishermen and processors (their "employers") was $17 million; benefits paid to fishermen were $223 million.[9] At the beginning of the decade (1980) approximately $6 million was obtained in premium contributions versus $82.6 million in benefits paid.

Figure 10



Source: Unemployment Insurance Statistics, Annual supplement to 73-001 monthly, 1988, Catalogue 73-202s Annual Supplement, Statistics Canada, p. 24.

Some additional changes to the unemployment insurance program came into effect January, 1990. These do not affect the fishermen's U.I. component of the program except that fishermen's U.I. payments must in future be covered under the self-financing provision.

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[9] In 1988, U.I.C. benefits of $225.7 million were received by fish plant workers.

This is significant because premiums paid into the fishermen's U.I. program have been considerably less than benefits paid to fishermen. Since this shortage will be funded from the U.I. account in future, other Canadians may pay higher U.I. premiums depending on the surplus in the regular U.I. program.

U.I. has provided important social support but many critics claim that it has also distorted fisheries management and undermined healthy attitudes to work. There can be no doubt that support on such a grand scale has changed forever the Newfoundland economy and probably contributed to some endemic problems in the future.

SPECIAL ASSISTANCE

As noted earlier, the fishing industry is cyclical and subject to uncertain biological and weather conditions. Moreover many fishermen earn low incomes from fishing. Following poor fishing seasons, fishermen may not have enough insurable weeks of employment to qualify for U.I. benefits. This situation arises in localized areas virtually every year in Atlantic Canada.

When it occurs, the federal government often has provided employment programs to ensure U.I. eligibility. Special projects provide employment for fishermen and plant workers who need additional weeks to qualify for U.I. assistance. From 1986 to 1989, the federal government provided approximately $24.2 million in such assistance to the fishing sector.

In 1984 and 1985, spring ice delayed fishing activities in Newfoundland, Labrador and along the Quebec North Shore. In response, the federal government provided financial assistance worth $3.8 million and $5.3 million in 1984 and 1985 respectively.

III. THE PERIOD FOLLOWING EXTENSION OF FISHING JURISDICTION, 1977-1983

The establishment of the 200 mile fishing limit resulted in major changes in the management of Canada's fisheries. International negotiations with foreign fishing nations, strict conservation practices and comprehensive fishery management plans were put in place to increase fish harvesting in Canada.

Demand for seafood remained strong throughout 1977 and 1978, and exports expanded. By 1981, however, the Atlantic fishing industry was once again experiencing financial difficulties. The fishing fleets which had expanded considerably in the late 1970's were now facing excess capacity and rapidly rising costs. Processing companies were undercapitalized and experiencing high interest rates and poor markets.

In the early 1980's, the B.C. salmon industry was affected adversely by a botulism scare. In Belgium one person died and others became ill after eating contaminated canned pink

salmon from Alaska. Another case of botulism poisoning was reported to have occurred in 1982 in the United States. These incidents caused health alerts in many countries, as well as product recalls and, subsequently, a long period of slow sales. Salmon markets were also affected during the early 1980's by large world supplies caused by record production in Alaska. (In the late 1980's, the results of large increases in farmed salmon (particularly in Norway) began to have an effect -- an effect which is likely to dominate salmon markets in the 1990's).

As a result of the depressed industry conditions, the Government initiated reviews of the industries on both coasts -- the Pearse Commission on the West Coast and the Kirby Task Force on the East Coast.

A. THE (KIRBY) TASK FORCE ON ATLANTIC FISHERIES

The Task Force on Atlantic Fisheries is also known as the "Kirby Task Force", after its Chairman (now Senator) Michael Kirby. The Task Force had the mandate to develop measures for the long term health of the industry as well as measures to deal with specific needs by the large companies. After one year of study and extensive consultations, the Task Force released its report in 1982. It contained 57 recommendations. Recommendations covered international issues, harvesting, resource-short plants, northern fisheries, quality control, port markets, productivity, profitability, marketing, fishermen's incomes, financial assistance, herring fisheries, and industry consultations. All of the recommendations were subsequently acted on (though not accepted in their entirety).

It is noteworthy that in the case of this industry crisis the task force recommended that government restructure companies and take an equity position which could later be recovered. This approach was in contrast to direct financial assistance provided during previous times of crisis. (This recommendation was over and above the 57 recommendations included in the report of the task force.)

With respect to productivity, the Task Force recommended that regional development assistance continue to be redirected from plant construction and towards increasing efficiency. This recommendation was subsequently made part of the IRDP guidelines established by DRIE. It was also recommended that Research and Development be given priority in government assistance and that agencies such as the National Research Council be involved. This has been implemented, in particular through DFO's development programs.

In respect to marketing, the Task Force recommended that exporters be licensed and a marketing commission and marketing councils be established. In addition, it recommended a major push on generic promotion. Some limited promotional funding was undertaken but funding for generic promotion ran afoul of budget cutbacks in 1986.

A major new system was recommended to stabilize fishermen's incomes with funding to come from fishermen's contributions and the federal government. This proposal was

rejected by federal and provincial fisheries ministers (at a 1985 First Ministers Conference). After concluding that fisheries incomes were low and often inadequate, they found that average year to year volatility was insufficient to establish such programs.

The Task Force recommended that there be no special assistance for vessel replacement but that fishermen be able to purchase vessels from the most economical source. Subsequently, the Fishing Vessel Assistance Program was terminated and the import tariff on vessels over 100 feet in length was removed. There still remains, however, a tariff of 25 per cent on imported vessels under 100 feet in length.

B. THE (PEARSE) COMMISSION ON PACIFIC FISHERIES POLICY

In January 1981, Dr. Peter Pearse was appointed Commissioner to report upon fisheries policy on Canada's Pacific coast.

The terms of reference for his inquiry were also broad. They included condition of stocks, conservation and development of resources, fisheries management, fleet licensing, and license fees. The Commission conducted two rounds of hearings and received 193 written submissions from organizations and interested parties. The Commission's final report issued in September, 1982 contained numerous recommendations involving fundamental changes in policy.

Recommendations were made in respect to fish habitat management, stock management, the harvesting sector, indian fisheries, policy mechanisms as well as arrangements between the federal government and the Province of British Columbia.

One of the central recommendations involved a new licensing system encompassing transferable fixed term licenses and a system of competitive bidding for fishing privileges. Due to the extreme fluctuations in year to year stock sizes of salmon and herring the individual quota system could not be applied in these fisheries. Therefore special measures were recommended to strengthen existing limited entry programs and reduce the fleets in those fisheries by 50 per cent within ten years. In other smaller fisheries a system of transferable personal quotas was recommended. The United Fishermen and Allied Workers Union launched a vigorous campaign against the proposed system arguing it would lead to competition for licenses, and the devastation of fishing communities. The recommendations were not acted on by the Government. However, they are currently being examined again, due in part to the success of individual transferable quotas in New Zealand.

In the area of assistance to fisheries, the Commission found that some programs had encouraged expansion of fishing capacity and were a waste of taxpayer money. The Commission referred specifically to subsidies for the construction of fishing vessels such as the Shipbuilding Assistance Program, accelerated depreciation for new vessels and the Fishermen's Improvement Loans Program.

C. ATLANTIC FISHERIES RESTRUCTURING

The Atlantic Fisheries Restructuring Act was passed on November 30, 1983. This Act was a response to recommendations of the Kirby Task Force to provide financial assistance for the large fishing companies which were then in financial shambles.

Fisheries Products International Ltd. (FPI) was formed on December 31, 1984 through the amalgamation of 12 companies which had been involved in the fishing industry in Atlantic Canada: Fishery Products International Limited, Fishery Products (St. Anthony) Limited, Fishery Products (Harbour Breton) Limited, The Lake Group Limited, John Penny and Sons Limited, North Atlantic Fisheries Limited, Great Harbour Deep Seafoods Limited, New Fishco Limited, T.J. Hardy Company Limited, Marlake Limited, Caribou Fisheries Limited, and Cariboo International Limited.

FPI was conceived to stabilize the Newfoundland fishery by merging and restructuring fishing companies which had been unable to survive independently. FPI was initially controlled by a holding company owned 63 per cent by the Government of Canada, 26 per cent by the Government of Newfoundland and Labrador, and 11 per cent by the Bank of Nova Scotia. Through a public offering of common shares, FPI returned to the private sector in early 1987. Overall the restructuring of FPI cost the federal government $63 million plus an additional $168 million prior to privatization. The company that emerged had essentially no debt, so that it would be in a position to counter crises for many years to come.

National Sea Products Ltd. (NSP) was restructured in February, 1984 following the intervention of minority private sector shareholders.[10] This restructuring involved direct funding of $130 million: $20 million from the private sector, $10 million from the federal government, $25 million from the province of Nova Scotia, and $75 million from the Toronto Dominion Bank. In addition, to retire debt owed to the Bank of Nova Scotia on a number of assets (formerly owned by H.B. Nickerson) the federal government committed an additional $80.5 million to NSHOLDCO Ltd. in exchange for common shares. NSHOLDCO Ltd. was a holding company created by the federal government and the Bank of Nova Scotia. This holding company was wound up and incorporated into NSP in March, 1988, resulting in increasing the federal government's shareholdings in NSP.

As of April, 1988, shareholders of NSP were Scotia Investments Ltd. (26%), the Government of Canada (20%), Halifax Developments Ltd. (19%), and the Bank of Nova Scotia (14%). The remaining shares were held by smaller shareholders and the general public.

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[10] See. Stephen Kimber, NET Profits, The Story of National Sea, Nimbus Publishing Limited, Halifax, N.S. Page 253.

During fiscal 1983-84, the Government of Canada also acquired Pecheries Canada Inc., a holding company for Quebec-based Pecheries Cartier Inc. (at a cost of about $31.5 million). This was later privatized in 1985.

D. FISHERIES DEVELOPMENT

Treasury Board requested DFO to prepare a plan in 1978 to provide for transition from previous "recovery" programs to "developmental" programs. The resulting document provided for fisheries rehabilitation and enhanced technology transfer. A major change in policy was that development programs implemented during the 1980's were not to incorporate the philosophy of the 1960's and 70's. Programs were to concentrate on competitiveness, efficiency, productivity and adding value domestically.

Expenditures for technology transfer projects between 1978 and 1981 amounted to $12.3 million. In 1981-82 a wide range of projects involved expenditures of $6.5 million for development programs and $2.3 million for ERDA sub agreement programs. Assistance was provided for quality enhancement, productivity improvement, reducing fuel consumption, improvements in processing methods, and resource assessments.

The three five year ERDA fisheries sub agreements that were jointly administered by DREE and DFO at this time were: the Coastal Labrador Program involving funding of $13.5 million, the South-East New Brunswick Program involving funding of $2.7 million and the Prince Edward Island Fisheries Development Program involving funding of $7.0 million. Assistance under these programs provided for fishing gear, processing equipment, cold storage facilities, community stages and aquaculture projects. In addition to fisheries subsidiary agreements, development assistance funding from DFO amounted of over $7.0 million per year during the period 1982 to 1985.

In 1983, a plan for Quebec fisheries was approved. This plan resulted from the repatriation of federal responsibility for Quebec fisheries (as recommended by the Kirby Commission). It involved funding of $135.2 million over five years (from 1983 to 1988). The major coverage of the plan was resource development, fleet improvement, product development and northern Quebec development. A Quebec Region was created in the Department of Fisheries and Oceans.

In 1983-84, a program for "recovery capital" was introduced with a fisheries component of $43.9 million. The program was aimed at facilitating economic recovery. Funding was allocated as follows: Nova Scotia, $6.9 million for ice making and storage, industrial water and power; Quebec, $29.7 million for ice making and unloading, bait storage and salting facilities; Newfoundland, $3.0 million for two marine service centres; New Brunswick, $2.2 million for fish unloading; and $2.1 million for planning, implementation and covered co-ordination.

In 1984 fisheries subsidiary agreements were signed with New Brunswick and PEI involving funding, respectively, of $45 million and of $10.5 million. These agreements expired in April, 1989.

In 1988, Canada and Quebec agreed to a three year, $17.5 million fisheries subsidiary agreement under the Quebec ERDA. A five year inshore fisheries agreement was also signed for Newfoundland ($60 million).

In 1989, Agreements with New Brunswick ($20 million) and P.E.I. ($16 million) were signed to replace expiring fisheries subsidiary agreements. These agreements involve programs to enhance quality, improve efficiency of the fishing and fish processing industry, adapt new harvesting technology, broaden the resource base, and increase production of underutilized species.

IV. INITIATIVES SINCE 1984

A. THE (NIELSEN) TASK FORCE ON PROGRAM REVIEW

The government established a Task Force on Program Review ("Nielsen Task Force") in 1984 to review expenditures across the government. As in other sectors, the fisheries component involved both industry representatives and government officials.

With respect to the fishing industry, the Task Force noted that "a labyrinth of government assistance programs and regulations [have] arrested the ability of the Canadian fisheries to adapt to market forces and undermined its competitiveness".[11] It stated that after extension of fishing jurisdiction to 200 miles, the Federal Government was spending some one billion dollars per year on various programs in order to sustain an industry that generated a value of two billion dollars. The Task Force also cited the possibility of countervailing duties being applied by the United States. It concluded that the fishing industry could become profitable if it were not burdened with responsibility for maximizing social welfare.

The report stated that DFO should be reduced in size and its mandate narrowed to focus on conservation and basic services for maximizing economic returns.

Subsequent to the report, DFO went through a period of "downsizing". Staff and budgets were reduced, first at headquarters and then in the regions. The marketing services of DFO were substantially reduced in size and focused on the analytical needs of government. The Fisheries Food Center and the domestic promotion program were terminated and some other functions were taken over by industry and by the Program for Export Market Development (External Affairs).

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[11] Cf., Study Team Report to the Task Force on Program Review, Natural Resources Program From Crisis to Opportunity, Ottawa, 1985, page 27.

B. PROGRAM FOR EXPORT MARKET DEVELOPMENT

The Program for Export Market Development (PEMD) was created in 1971 to encourage Canadian firms to sell their products and services in foreign markets. It is administered by External Affairs and International Trade Canada in conjunction with Industry, Science and Technology Canada (formerly DRIE). Financial assistance provided by the program is designed to reduce risks involved in entering new foreign markets and is available for various promotion activities. Assistance is provided to participate in foreign trade fairs, to explore potential foreign markets, to finance visits of foreign buyers to Canada, and to undertake certain special activities.

The Program for Export Market Development of Fish (PEMD FISH) was created in 1983 in response to recommendations made by the Kirby Task Force on Atlantic Fisheries. The objective of the program was to encourage Canadian firms to initiate or expand sales of groundfish and herring in foreign markets. Financial risk was shared between individual firms and government, with government covering up to 50 per cent of costs. This assistance was to be repaid if a firm were successful in developing new markets. Funds allocated to the program were to "challenge ... the development of satisfactory promotional and marketing programs by the industry." [12]

The program was implemented in Atlantic Canada in November of 1983 and in British Columbia in September 1984. The program was shortlived due to criticism from the Task Force on Program Review. In the fall of 1985 PEMD FISH was terminated. This, however, did not exclude the fishing industry from PEMD financing. Funding became available through other PEMD programs.

Response to the program had in fact been modest. Reasons for the low response were numerous. Many companies that applied were not eligible under the FISH component of the program. They were, however, eligible under PEMD FOOD because projects were not directly related to groundfish or herring. A high Canadian dollar and a declining demand in international fish markets contributed to decreased demand. In addition program requirements for detailed financial and sales information proved to be a deterrent to smaller companies. Provincial grants were often more easily available and fishermen were more apt to apply for assistance from the provincial programs.

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[12] Report to the Interdepartmental Meeting on Trade Promotion Program Management on PEMD FISH, October 29, 1984., p. 1.

C. INDUSTRY, SCIENCE AND TECHNOLOGY CANADA (ISTC) - ATLANTIC CANADA OPPORTUNITIES AGENCY (ACOA) AND WESTERN DIVERSIFICATION OFFICE (WDO)

The Department of Industry, Science and Technology Canada (DIST) was formed in 1989 through the integration of the **Ministry of State for Science and Technology** and DRIE. The new mandate of ISTC focuses on building the competitiveness of Canadian industry and promoting excellence in science. ISTC initiated a fisheries sector campaign in 1989 designed to improve the long-run international competitiveness of the fishing industry. Responsibility for regional economic development in Atlantic and Western Canada was transferred from DRIE to Atlantic Canada Opportunities Agency (ACOA) and the Western Diversification Office (WDO).

1. Atlantic Canada Opportunities Agency

The Atlantic Canada Opportunities Agency (ACOA) was established in June, 1987 as a special five year economic development program for Atlantic Canada. Some $1,050 million over five years was allocated to the program. ACOA has two major activities. The **Action Program** has funded fishing industry projects in circumstances where the project would not expand the volume of fish throughput. Funding has been provided for loan insurance, interest buy-downs, technology innovations and plant and equipment modernizations. The ACOA Action Program was a follow up to two former programs - the Industrial Regional Development Program and the Atlantic Enterprise Program. The ACOA Action Program was originally to run from 1987 to 1992 but has been extended to 1994. No additional funding, however, was allocated at the time this extension was announced.

Five fisheries subsidiary agreements exist for Quebec and the Atlantic provinces (see the previous section on fisheries development). The subsidiary agreements contained programs aimed at upgrading certain fleet components, enhancing quality, exploiting underutilized species and saving energy and are administered jointly with DFO.

Assistance to Atlantic fish processing has increased sharply since 1986. Under the ACOA Action Program nearly $30 million was committed to various fisheries projects in the Atlantic Provinces in 1988 and 1989 alone. Some of this has probably increased processing capacity and thereby exacerbated current problems in the fisheries.

2. Western Diversification

The Western Diversification Office (WDO) was created in 1987 to enhance development in Western Canada. This agency administers the $1.2 billion, five year Western Diversification Fund and provides assistance to enhance productivity of Western Canadian industry.

WDO has provided assistance to the fishing industry by allocating $53 million for the Salmon Enhancement Program in British Columbia, by assisting development of small craft harbours (e.g. the **South Moresby Island Agreement**) and by assisting fisheries related

industries to develop new products. WDO has also provided assistance to aquaculture industry through the **Canada - B.C. Economic and Regional Development Agreement on Small Business Incentives.**

V. SYNOPSIS

Federal assistance to Canada's fisheries increased significantly after World War II and then declined, especially during the 1980s. Assistance was initiated to facilitate marketing, to meet requirements of fishermen, to provide facilities for handling and processing of fish, as well as to encourage industrial regional development and the restructuring of companies.

Objectives of this assistance changed over time. Immediately after the war programs were implemented to aid the industry in the transition to peace time. During the next period (the 1950's) new programs were targeted at industrial development as it was recognized that the fisheries could expand from existing levels. In the 1960's and 1970's programs were targeted at rural economic development as the Government focused on regional disparities. In the 1980's the development philosophy changed to increasing efficiency, productivity and technological innovation. However, even with the change in philosophy, fishing and processing capacity in the industry has increased substantially.

The volatility of the industry has provided the rationale for much of the assistance and in some ways may also have been the result of such assistance. By causing fishing and processing capacity to expand excessively, assistance programs probably exacerbated cycles and enhanced dependence on the public treasury.

VI. EPILOGUE

As this article was being prepared in Fall of 1989 and Winter of 1990, another "crisis" emerged in the Atlantic fisheries. This is yet another in the long succession of crises resulting from the cycles noted at the beginning of this paper.

The current crisis is resource rather than market based, but with a broader incidence than many crises in the past. That is, the current situation reflects the accumulated effect of smaller than previously estimated northern cod stocks, extreme overfishing of several species (especially haddock) on the Scotia shelf and the Grand Banks, as well as resource and market problems with shellfish/crustacean species such as crab and lobster. Even aquaculture has not been spared from involvement in this crisis. The massive overproduction mainly by Norway and Scotland in 1989 has affected markets not only for farmed salmon but also those for wild salmon.

The previous major "crisis" -- the one that led to the Kirby Commission and the massive restructuring of the Atlantic industry -- was essentially financial. The offshore companies

had been built on a foundation of sand: little equity and ever increasing debt. When interest rates increased substantially, they simply were unable to cope.

Danger signs with respect to the resource situation appeared initially in 1987. But these signs were camouflaged by the boom conditions at the time, and subsequently ignored. With resources continuing to decline and the financial health of a number of major players seriously in question, the full magnitude of this "crisis" has almost certainly not yet fully emerged.

In the Fall of 1989 the Government of Canada announced an initial response involving $130 million for workers and communities affected by plant closures. This response was based on existing programs which were redirected to ease the situation caused by fish plant closures. In May, 1990 the Minister of Fisheries and Oceans announced a more comprehensive $584 million program over the next five years. This package includes assistance for individuals affected by the current situation, and expenditures to improve scientific research, enforcement and surveillance. In addition assistance programs to develop fisheries for underutilized species and to diversify regional economies are included. At time of writing, specifics of these programs were still being developed.

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